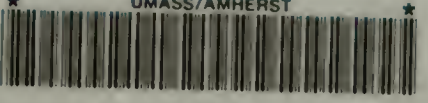


MASS.
HEF 1.2:
H37

★ UMASS/AMHERST ★



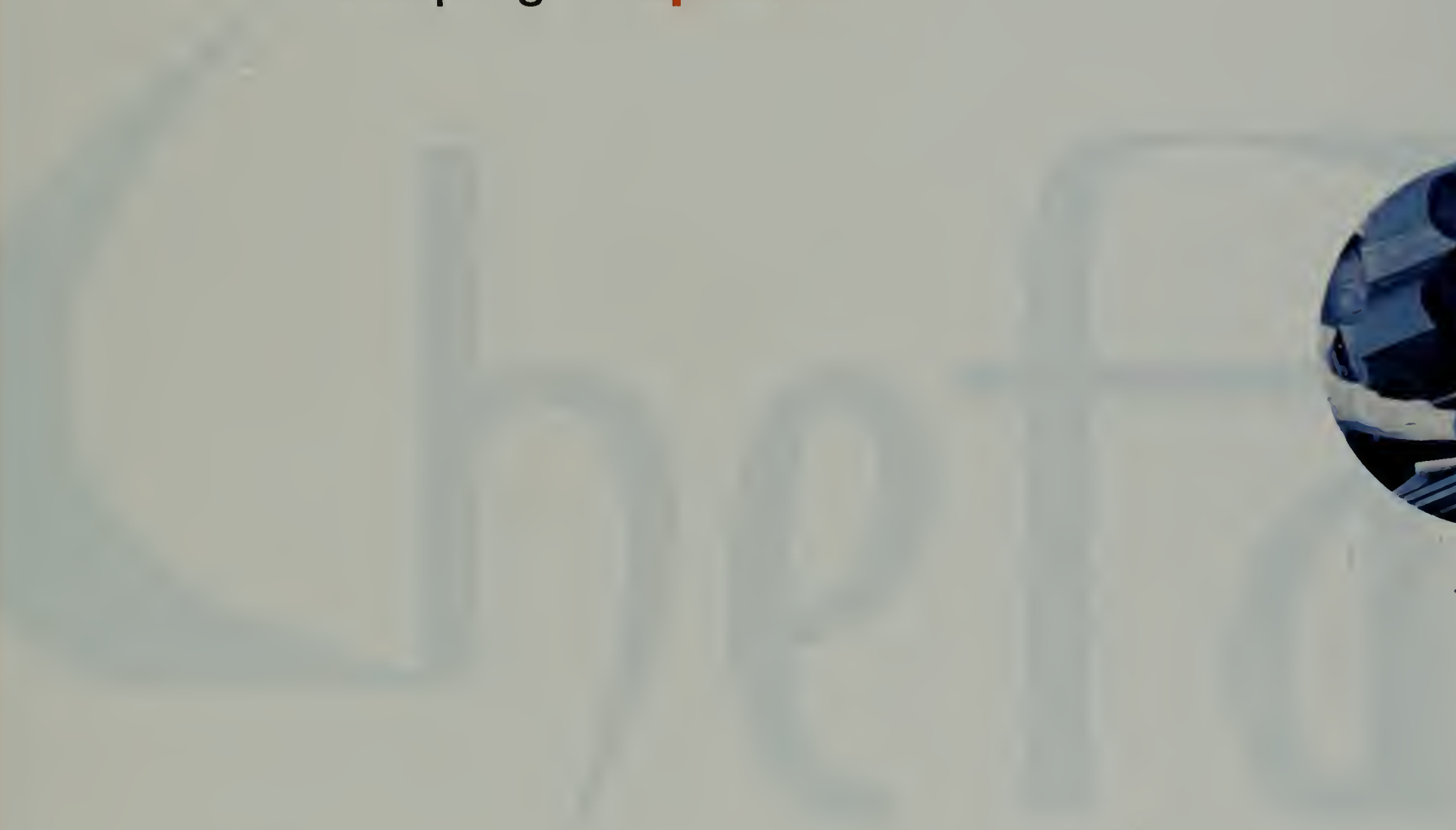
312066 0270 4404 7

GOVERNMENT DOCUMENTS
COLLECTION

AUG 01 2000

University of Massachusetts
Depository Copy

Helping non**profits**.



Profiting from our



HEFA, the Massachusetts Health and Educational Facilities Authority, was created over thirty years ago for one purpose: to help nonprofit institutions across the state thrive and improve the lives of our residents. By providing low-cost loans, bond issuances, and other financial services, HEFA assists nonprofits to achieve their goals of constructing new buildings, acquiring equipment, saving on debt service, and reducing the pressure on operating budgets. HEFA has become

experience

one of the largest issuers
of tax-exempt bonds for
nonprofits in the country

by creating innovative programs that enable organizations to borrow both small and large amounts at low rates. Constantly evolving as an independent public authority, HEFA tries to find practical and cost-efficient solutions to the daily challenges of managing not-for-profit organizations. With an experienced staff and financial advisor at your disposal, HEFA is eager to hear about your goals so that we may help you devise a capital financing strategy that meets your institution's needs.

"We have been impressed with
the versatility of HEFA to find
financing solutions that meet our
needs. Thanks to HEFA's low-cost bond
and pool loan financing, we have built
a state-of-the-art Sport Science and
Fitness Center and a new residence
hall. Today, Endicott is strong and
vibrant, in no small part due to our
partnership with HEFA."

*Richard E. Wylie, President
Endicott College*



Profiting from our

We have about \$9 million in outstanding mortgages and commercial bank loans. Our facilities need major renovations that will cost \$1 million.

While we do not have a large endowment, we have been operating in the black with small surpluses every year.

What are our options?

strategies

HEFA has helped many organizations reduce annual debt service by refinancing outstanding high cost mortgages and commercial loans at lower, tax-exempt rates, while simultaneously raising capital for new projects. For a financing of under \$10 million, several approaches are possible. One strategy would be a HEFA Pool Loan to consolidate debt and acquire new funding. Pool Loan funds come from the proceeds of bonds that have already been issued by HEFA, so up-front costs are low. Interest rates are variable and the loan maturity can be matched to the life of the financed assets. Pool Loans can be completed within a short time frame, and may also be prepaid at any time without penalty.

Depending on the goals of the organization, an alternative strategy would be to undertake a stand-alone bond issuance that could be sold to investors as a negotiated public offering. Within this framework, there would be many options to consider, including the economics of obtaining bond insurance, the security structure, and whether to pursue ratings from credit rating agencies. HEFA's staff would work with your institution to compare the costs and benefits of each strategy. Free technical assistance, financial analysis, and structuring advice are available through HEFA to find the right solution for your institution.



Financing equipment with a tax-exempt lease/purchase agreement can be an attractive alternative to using cash. HEFA designed its Value Lease program to make the process as simple and low-cost as possible for capital projects totaling \$300,000 and above. HEFA has established relationships with more than twenty financial firms who routinely invest in equipment leases and will be invited to submit competitive bids on your project. The interest rate is fixed for the term of the lease. The equipment serves as security for the financing and is transferred to your institution at the end of the lease period.

An alternative strategy would be to use a HEFA variable rate Pool Loan, particularly if renovations are a substantial part of the project. Since Pool Loans can carry almost any term length, the loan could be matched to the life of the renovations or the equipment. Depending on your institution's credit strength, no additional security would be necessary. The larger the project, the more cost-efficient a Pool Loan becomes for equipment and renovations.

We have to acquire computer equipment, vehicles, and some new laboratory technology over the next year, totaling \$1.5 million. We would prefer not to use our operating cash for the purchases, but the financing offered by the equipment vendors seems high. In addition, we need to complete some renovations to more efficiently use the new equipment.

connections



"HEFA responds quickly and

decisively with excellent ideas. As

a growing organization, our projects

are under very tight time frames. HEFA

meets the challenge with cost-effective

financing options such as leases and

loans that have enabled us to achieve

our goals for cutting-edge bio-

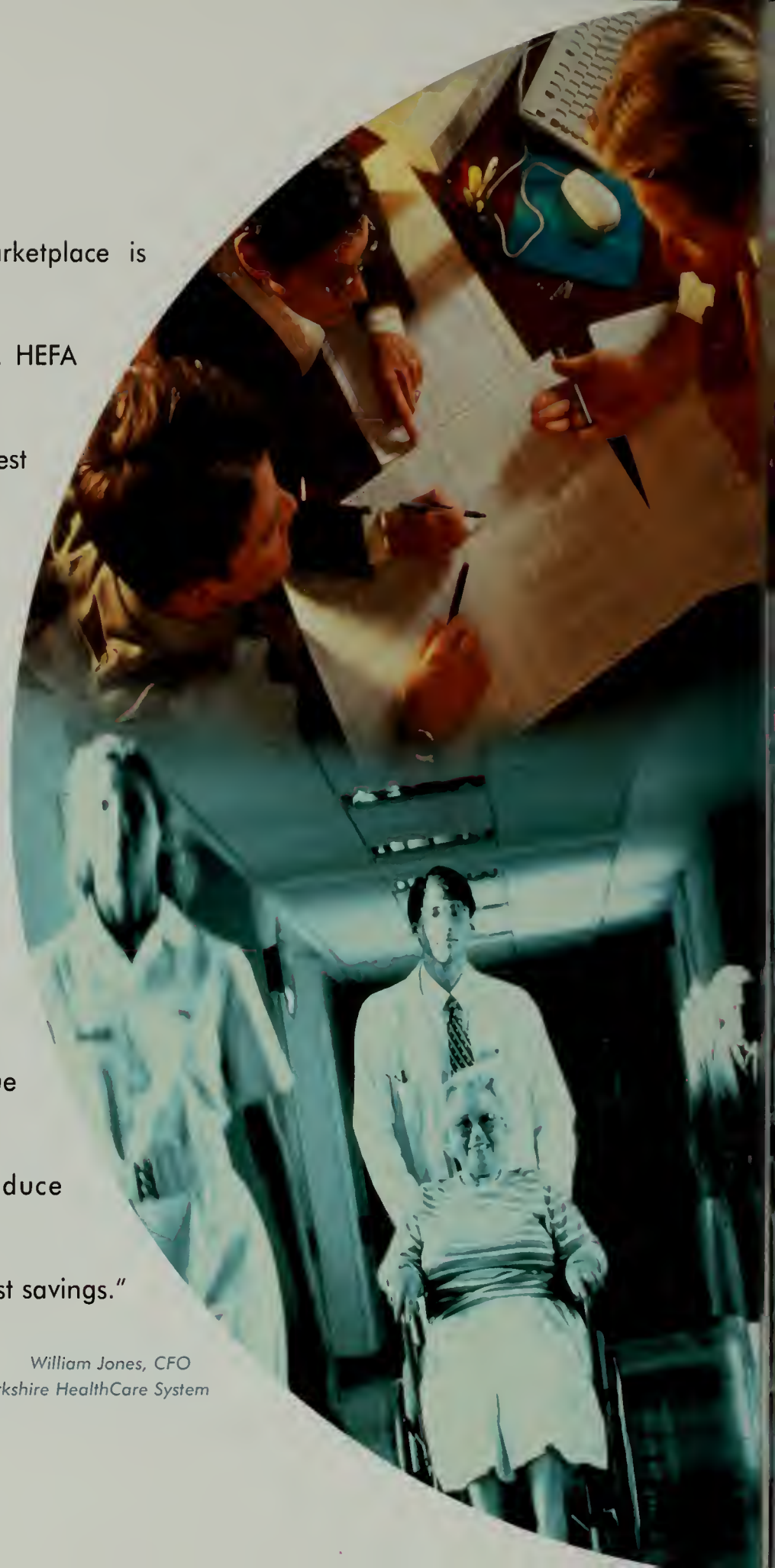
medical research."

*Jahn Pratt, Associate Director
Whitehead Institute, Cambridge*

..... Profiting from our

"The bond marketplace is dynamic and changeable. HEFA keeps us up-to-date on the latest approaches that will save money, streamline the bond issuance process, and provide the capital needed for state-of-the-art equipment and facilities. Their financial advisory services in particular are a unique enhancement that produce obvious cost savings."

William Jones, CFO
Berkshire HealthCare System





We need to borrow approximately \$50 million to implement an extensive capital plan. How can I determine the optimal amount of fixed and variable rate debt and develop a structure that meets our institutional goals? I also need to minimize the costs associated with the borrowing.

Profiting from our

Complex transactions that take advantage of market conditions, have the appropriate level of risk, and minimize costs are HEFA's area of expertise. In the last thirty years, HEFA has issued over \$17 billion in bonds with a wide range of structures that balance the needs of the borrower with the expectations of investors. HEFA's experienced staff and independent financial advisor can help you compare the benefits of selecting a competitive or negotiated public bond offering, analyze the allocation of fixed and variable rate debt, and determine the optimal set of covenants that will preserve future flexibility while enhancing the marketability of the bonds.

Fixed costs associated with issuing bonds through HEFA have been steadily declining due to lower fees and increased competition in the municipal bond market. HEFA will assist your institution to take advantage of this environment by coordinating competitive bids for as many services as possible, such as underwriters, bond counsel, trustee services, letter-of-credit banks, printers, remarketing agents, and other parties in the transaction. Price comparisons are also available through HEFA's extensive database of past transactions. The result is the lowest possible cost of capital that meets the goals and risk profile of your institution.

expertise

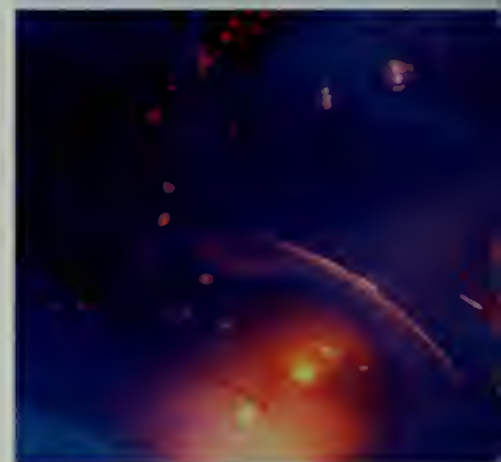
Profiting from our

Deregulation of the electricity and natural gas industries can mean savings for your organization, but only if you know your options. The award-winning HEFA PowerOptions program is designed to assist nonprofits to save on energy costs through the group purchase of electricity and natural gas. PowerOptions is the largest energy purchasing group in the state and consequently has significant clout in the marketplace. Its team of experts has negotiated very favorable contracts with electricity and natural gas suppliers that will save participants more than \$36 million in aggregate over the life of the contracts.

PowerOptions' energy partners also offer a comprehensive program of low-cost energy efficiency services and related energy technology. Energy services are non-obligatory, and the initial evaluation is free. A specialized HEFA financing program enables organizations to take advantage of low interest rates to upgrade equipment and renovate buildings to reduce energy consumption. Projects starting at \$50,000 can be effectively financed through HEFA's energy conservation financing program.

We need to squeeze every cent from our operating budget. Energy costs are a big line item and they tend to be spiraling upward, largely because our buildings are old and our heating systems are inefficient. We need to modernize our HVAC, install new windows, and reduce our heating and electricity bills.

energy





"In order to fulfill our edu-

cational mission, we have to

focus on the bottom line. We have

really benefited from HEFA's efforts

to find cost savings for nonprofits

through both their financial products

and the PowerOptions program.

Every dollar we save on these costs

is a dollar we can put toward our

education programs."

*Nancy Brennan, Executive Director
Plimoth Plantation*

Profiting from our

Capital Strategy Program

HEFA provides a range of services to help your institution develop its capital strategy and meet its financial goals. After reviewing your organization's current and projected financing needs, debt profile, and financial statements, HEFA will present financing options appropriate for your needs. HEFA also offers Capital Strategy Loans as interim financing, enabling you to dedicate resources to completing your capital plan. Capital Strategy services offered include:

- Technical Assistance
- Financial Statement and Ratio Analysis
- Debt Capacity Analysis
- Interest Rate Options
- Competitive Bids for Investment Bankers, Insurance, Trustees, other Financial Services
- Bond Pricing Analysis
- Investment Advice and Assistance
- Capital Strategy Loans up to \$30,000

Bond Issuance

- For projects starting at \$5,000,000
- Individually structured to meet your institution's needs
- No required covenants; market analysis determines optimal security
- Flexible bond counsel policy
- Independent financial advisor available
- Options available:
 - Fixed-rate Bonds
 - Variable-rate Bonds
 - Multi-Modal Bonds
 - Commercial Paper and Notes
 - Negotiated Public Offerings
 - Competitive Public Sales
 - Competitive Internet Sales
 - Private Placements
 - Insured or Uninsured
 - Interest Rate Protection
 - Credit Enhancement

programs

Value Lease

- Finance equipment and related capital improvements between \$300,000 and \$10,000,000
- Tax-exempt fixed interest rates can be 4 percentage points lower than bank or vendor financing
- Standardized lease documents reduce paperwork
- Financing can be competitively bid or negotiated

Pool Loans

- Ideal for projects ranging from \$1,000,000 to \$6,000,000
- Low, tax-exempt variable rates
- Finance or refinance renovation projects, equipment, and new construction
- Save money on closing costs with standardized documents and no application fees
- Flexible terms match the life of the project, usually 5-30 years
- Letter of credit may be required

PowerOptions Program

- First and largest energy buying consortium in Massachusetts
- All Massachusetts public and nonprofit institutions are eligible
- Includes contracts for both natural gas and electricity
- Members currently save 5-15% off energy supply bills
- Comprehensive programs for energy efficiency and conservation

Energy Conservation Financing

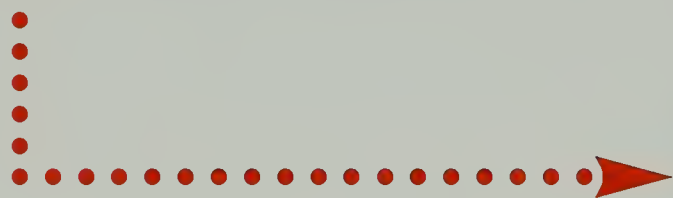
- Finance energy conservation projects starting at \$50,000
- Tax-exempt interest rates and low-cost legal fees
- Projects can pay for themselves through energy savings
- Customized financing to fit your cash flow needs
- Many types of equipment, renovations, and upgrades are eligible, including HVAC systems, lighting upgrades, and even new windows

STAR Fund

- AAA rated money market fund
- Used for temporary investment of bond proceeds or construction funds
- Provides daily liquidity
- Designed to preserve principal while seeking a high level of return

HEFA realizes that nonprofit institutions operate in a dynamic environment, and we are committed to developing services that meet these changing needs. Our thirty-year history of well-maintained relationships with rating agencies, bond issuers, investment banks, and institutional investors provides smooth access to the tax-exempt market for Massachusetts' nonprofit borrowers. HEFA is committed to an ongoing business relationship with our client institutions, and encourages you to contact us at any point in your planning, development, or implementation of a capital project.

Profiting from



HEFA

617.737.8377 • 888.662.HEFA
www.mhefa.state.ma.us



Massachusetts Health & Educational
Facilities Authority

99 Summer Street, Suite 1000
Boston, Massachusetts 02110-1240

617.737.8377 • 888.662.HEFA
www.mhefa.state.ma.us